

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTHERN WATER AND)	
SEWER DISTRICT, FLOYD COUNTY, KENTUCKY)	
FOR (1) A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY AUTHORIZING)	
CONSTRUCTION OF MAJOR ADDITIONS AND)	
IMPROVEMENTS TO ITS SANITARY SEWER)	
SYSTEM; (2) APPROVAL OF PROPOSED SEWER)	CASE NO.
RATES AND CHARGES; AND (3) APPROVAL OF)	2004-00407
THE ISSUANCE OF CERTAIN SECURITIES,)	
PURSUANT TO PROVISIONS OF KRS 278.023)	
AND 807 KAR 5:069)	

O R D E R

On October 8, 2004, Southern Water and Sewer District ("Southern Water and Sewer") submitted an application for a Certificate of Public Convenience and Necessity to construct a \$3,750,000 wastewater improvement project, approval of the proposed sewer rates and charges, and for approval of the issuance of certain securities by Southern Water and Sewer. The project, identified as the Wayland Sewer Project, consists of the construction and installation of approximately 5.5 miles of gravity and force main sewer collection lines and appurtenances, a 100,000 gallon per day wastewater treatment plant, four pump stations, and a telemetry system. It will provide sanitary sewer service to approximately 224 new customers.

Southern Water and Sewer proposes to finance the construction through:

- a grant in the amount of \$1,020,000 from Personal Responsibility in a Desirable Environment to be administered by the United States of America, acting by and through the United States Department of Agriculture ("USDA") and Rural Development ("RD")
- a grant from the United States Environmental Protection Agency in the amount of \$1,500,000
- a grant from the United States Department of Housing and Urban Development ("HUD") Community Development Block Grant Program in the amount of \$1,000,000
- and a federally-assisted wastewater revolving loan from the Kentucky Infrastructure Authority in the amount of \$230,000 at an interest rate of 1.0 percent, with an annual loan servicing fee of 0.2 percent, and for a term of 20 years.

Southern Water and Sewer also requests approval of the proposed schedule of sewer rates and charges as set forth in Appendix A. The imposition of these rates is a condition of the financing agreement between RD and Southern Water and Sewer.

Southern Water and Sewer's application was made pursuant to KRS 278.023, which requires the Commission to accept agreements between water utilities and the USDA or HUD, and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements. Given that minimum filing requirements were met in this case on October

8, 2004, KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of this agreement.

IT IS THEREFORE ORDERED that:

1. The rates set forth in Appendix A to this Order are approved for sewer service that Southern Water and Sewer renders on and after the date of this Order.

2. Southern Water and Sewer is granted a Certificate of Public Convenience and Necessity for the proposed construction project.

3. Southern Water and Sewer's proposed plan of financing is accepted.

4. The proceeds from the loan agreement shall be used only for the purposes specified in Southern Water and Sewer's application.

5. Notwithstanding Ordering Paragraph 4, if surplus funds remain after the approved construction has been completed, Southern Water and Sewer may use such surplus to construct additional plant facility if RD approves of the use and additional construction will not result in a change in Southern Water and Sewer's rates for service. Southern Water and Sewer shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

6. Southern Water and Sewer shall file a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.

7. Southern Water and Sewer shall notify the Commission 1 week prior to the actual start of construction and at the 50 percent completion point.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 8th day of November, 2004.

By the Commission

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2004-00407 DATED November 8, 2004

The following rates and charges are prescribed for the customers in the area served by Southern Water and Sewer District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Rates

Sewer Rates

First	2,000 gallons	\$23.65 Minimum bill
All Over	1,000 gallons	\$7.93 per 1,000 gallons

Tap Fees

New Customer Gravity Line	\$400.00
New Customer Force Main	\$2,610.00